Annual Exploration report for exploration license 25416, in the Daly River Region. Outlines the tenement details and the exploration that has been undertaken on the tenement, including a desktop study and reviews by independent consultants.
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1. PROPERTY DESCRIPTION AND TENURE

EL 25416, consists of 33 sub-blocks, and is approximately 99.61 square kilometres in size. It was granted to Corporate Developments on 20 August 2007 for a period of six years, with a covenant for the 2nd year of exploration at A$11,025.

The tenement is in the Daly River Region of the Northern Territory, and the Daly River Mt Nanacar conservation area is within the boundaries of this exploration License. The tenement most northerly boundary is at 13°35’ South and its most southerly boundary is at 13°50’ south. Its western boundary is 130°41 East and its eastern boundary is at 130°46 East

Figure 1: Location of EL25416 outlined in red

Tenement details are in Table 1.

<table>
<thead>
<tr>
<th>EL</th>
<th>Sub-blocks</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Expenditure Commitment</th>
</tr>
</thead>
</table>
2. ACCESSIBILITY AND INFRASTRUCTURE

The project area can be accessed via the all weather Daly River Road and various all weather tracks. Daly River is a township of approx one thousand people and is less than 5kms from the tenement boundaries. It has a number of amenities including a small supermarket.

The region is considered accessible however the area is subject to the summer monsoons and quite often during this period can be cut off due to flooding. In general the area is arable supporting livestock and fruit trees.

3. GEOLOGICAL SETTING

Climate and Topography

The Daly River Region is located within the monsoonal region of Northern Australia, with the wet season beginning around November and continuing until around March. Average annual rain fall in the region is approximately 1000mm per year with 600mm in the wet season, from November to March, and less than 30mm falling in the dry season from April to October. The mean monthly temperature can range from 19.8°C to 34.4°C degrees centigrade.

<table>
<thead>
<tr>
<th>Mean Daily Temp</th>
<th>Mean Daily Humidity 9am</th>
<th>Mean Humidity 3pm</th>
<th>Mean Annual Rainfall</th>
<th>Mean Monthly Rainfall (June – Feb)</th>
<th>Highest Daily Rainfall</th>
<th>Mean # of rain Days</th>
<th>Mean Evaporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.4-34.1</td>
<td>73%</td>
<td>43%</td>
<td>1308.4</td>
<td>0.3-326.2</td>
<td>218</td>
<td>95.3</td>
<td>2418</td>
</tr>
</tbody>
</table>

The vegetation is comprised of open savannah woodlands and eucalypt forests consisting of mostly Bloodwood, Stringybark and Woolybutt varieties with acacias growing on the rocky areas. Along the water courses Pandanus palms and Paperbark trees are dominant.

Geology

The Daly River region is located between Darwin and Katherine and begins where the Katherine and Flora Rivers intersect and flow west to the Timor Sea. This region encompasses the Litchfield geological province of the Northern Territory.

The Litchfield Province is part of the western Pine Creek Orogen which consists of sedimentary, metamorphic and igneous rocks of Paleooproterozoic age. (1800-2100ma). The Pine Creek Orogen is a large intracratonic basin deposited on Archean basement rocks. It overlies 2500Ma Archean granites and gneisses and is overlain by Paleo to Mesoproterozoic basins including the Daly basin in this region. It can be up to 14 kms thick and hosts a variety of mineral commodities including gold, uranium, base metals, PGE, Iron ore manganese magnesite and phosphates. It is one of the
prime exploration targets for a variety of commodities. It has suffered metamorphosis ranging from lower greenshist to granulite facies.

The Daly River Basin comprises sedimentary units of Limestone, dolostone, sandstone, siltstone and flood basalt the ages of these units range from Ordovician to Cambrian with a minimum age of 470 to 540 ma. The basin is an intracratonic basin forming part of the Central Australian Platform Cover.

It unconformably overlies the Pine Creek Orogen metamorphic rocks in this region and is overlain by Cretaceous rocks of the Dunmarra Basin on the southern margin. It can be up to 1km thick in parts and is considered to have potential for MVT style Pb-Zn occurrences. It has not suffered any metamorphism

Within the tenement boundaries the submarine facies Finniss River Group dominate to the west. The Finniss River Group consists of mafic to felsic volcanics and interbedded sediments of the Burrell Creek Formation and Noltenius formations. These sediments are mainly siltstones, greywacke, with mica schist and andalusite schists.

These sediments are unconformably overlain in the east by the upper Proterozoic, Tolmer Group sediments. Group (Depot Creek Sandstone and Stray Creek Sandstone. Exposures of the Middle Proterozoic Stray Creek and Depot Creek sandstones (hematitic quartzites) outcrop immediately north of the licence and may well comprise basement rocks to the Cambrian sequence in the northern part of the licence.

A large semi-continuous dextral wretch fault (Victoria River Giants Reef Fault, VRFZ) traverses the centre of the tenement within the Burrell Creek Formation. The fault extends from Rum Jungle in the north into the Fitzmaurice and Halls Creek Mobile Zones further south. The distribution of the Burrell Creek Formation is largely controlled by the Giants Reef Fault, which consists of numerous NE-SW trending splays. Fracture systems associated with dislocations along the VRFZ have almost certainly been opened and closed several times. The complexity of the fault pattern suggests a very large volume of country rock would have been accessible by hydrothermal activity; there could be significant potential for localized high grade deposits. The rocks have undergone intense folding (axes NNW – SSE), minor faulting and have undergone low grade metamorphism. The fault zones are highlighted by the presence of quartz veining, brecciation, slickensides and chloritisation.
The Daly River tenement is located proximal to the highly prospective Daly River Mineral Field (DRMF) which is located about 20km to the north east of EL25416, and is underlain by green schist facies, submarine, mafic to folic volcanics and interbedded sediments of the Finniss River Group, within the Pine Creek Orogen (PCO). The north-trending field is about 160km² in area and contains numerous base metal occurrences. Fifteen of these can be classified as hydrothermal vein-type and three as volcanic-hosted massive sulphide (VHMS)-type.

4. PREVIOUS EXPLORATION, OPEN FILE SEARCHES

Detailed interpretations of airborne radiometric data from the Northern Territory Geological Survey highlighted the following radiometric anomalies as shown in Figure 3 below.
Historical Resources

No known JORC compliant resources have been reported within the tenement area.

Exploration Program

In terms of both regional and project scale structure the Daly River Project area is ideally situated for stratabound and volcanogenic massive sulphide style base metal deposits but also unconformity-related and vein style uranium deposit.

The major base metal deposits within the Northern Territory are associated with major fault systems. The Giants Reef Fault is proximal to the tenements which is important as these faults might have acted migratory pathways for hydrothermal ore bearing fluids to be deposited within the Burrell Creek Formation.

Tenement areas have high potential to host significant base metal mineralisation with very minor base metal exploration conducted.

Numerous magnetic anomalies and zones remain untested and are similar magnetic intensity as nearby base metal deposits.
5. WORK COMPLETED, 2008/2009

On the 4th September 2008, Outback Metals Limited listed on the Australian Stock Exchange. Corporate Developments Pty Ltd. a wholly owned subsidiary of Outback which includes EL25416 as part of a package of tenements that were acquired and rely on the funding from the IPO to further exploration.

Given the Global Economic Crisis ("GEC") Outback upon listing was immediately forced into a cash conservation strategy and this involved the rationalisation and prioritisation of exploration programmes. A detailed desktop review was undertaken commencing in November 2008 of all tenements including EL25416.

In the 2007/08 Annual Report the Company proposed to follow some significant targets identified during the following exploration season. This included the Research studies which have shown a number of clusters of second and third order radiometric anomalies that have not, to date, been systematically explored. The radiometric anomalies are associated with the favourable lithologies which have hosted uranium and base metal deposits in the Pine Creek region.

An exploration programme was undertaken to investigate a line of radiometric anomalies with mixed uranium and thorium source properties found by a previous NT Government survey located in sediments of the Paleoproterozoic Noltenius Formation following close to the unconformity with the overlying Neoproterozoic Tolmer Group. Accordingly a flight was made at 30-40m altitude and at about 50kts from Mount Nancar in the south to the Mount Thomas area in the north. Several weak total count radiometric anomalies were detected but these were not considered to be worthy of ground follow-up.

In addition we carried out further desktop studies resulting in the rationalisation of the tenement holding, by relinquishing 50% of the area held.